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Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-07 ISO-00 AGRE-00 COME-00 TRSE-00
ITC-01 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00
NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 OMB-01
DOTE-00 FMC-01 SAL-01 CG-00 DLOS-06 OES-06 /089 W
----------161330Z 053788 /40
R 160535Z MAR 77
FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 6530
INFO AMCONSUL HONG KONG
AMEMBASSY MOSCOW
AMEMBASSY SINGAPORE
AMEMBASSY TOKYO

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E.O. 11652: N/A
TAGS: EWWT, MY
SUBJECT: DIRECTIVE ON NEW SHIPPING PACT ON RUBBER

1. MALAYSIAN PRESS FOR MARCH 15 DEVOTED CONSIDERABLE FRONT PAGE SPACE REPORTING DIRECTIVE FROM MALAYSIAN MINISTER OF PRIMARY INDUSTRIES DATUK MUSA HITAM TO MALAYSIAN RUBBER EXCHANGE AND LICENSING BOARD (MRELB) TO NEGOTIATE THE WITHDRAWAL OF RUBBER FROM THE FAR EAST FREIGHT CONFERENCE (FEFC) GENERAL FREIGHT TARIFF AND REPLACE IT WITH A SEPARATE MERCHANT AGREEMENT. ALTHOUGH THE IDEA IS NOT NEW, INTERVENTION BY MUSA HITAM IN THE FREIGHT COMMITTEE OF THE RUBBER INDUSTRY OF MALAYSIA (FCRIM)-FEFC AFFAIR MARKS A NEW PHASE IN THE PROTRACTED NEGOTIATIONS BETWEEN THE TWO PARTIES. THE MINISTERIAL DIRECTIVE, ACCORDING TO THE PRESS, NO DOUBT GIVES THE MRELB, A COMPONENT OF FCRIM, BETTER LEVERAGE TO TERMINATE THE EXISTING AGREEMENT WITH THE FEFC AND FORCE A SEPARATE NEW AGREEMENT. TO ADD MORE WEIGHT TO HIS DIRECTIVE, MUSA HITAM IS ALSO SEEKING THE HELP OF THE MALAYSIAN INTERNATIONAL
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SHIPPING CORPORATION (MISC THE GOM OWNED SHIPPING COMPANY), A MEMBER OF THE FEFC.

2. MUSA HITAM MAINTAINS THAT A SEPARATE MERCHANT AGREEMENT FOR RUBBER WOULD GIVE THE COMMODITY THE SAME SHIPPING STATUS AS PALM OIL AND TIMBER WHICH WERE BEING NEGOTIATED OUTSIDE THE GENERAL CONFERENCE RATE. HE FEELS THAT THE LARGE VOLUME

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INVOLVED JUSTIFIED SUCH A MOVE. HE ALSO STATED THAT MALAYSIA
IS CATEGORICALLY OPPOSED TO THE FEFC'S PROPOSAL TO INCREASE
THE GENERAL FREIGHT RATE BY 13.75 PERCENT COMMENCING JULY 1.
MUSA HITAM SAID THERE WAS NO JUSTIFICATION FOR THE HIKE AND
THAT THIS WOULD ADVERSELY AFFECT THE COMPETITIVENESS OF MALAYSIAN
GOODS OVERSEAS.

3. ACCORDING TO THE PRESS, AN FEFC SOURCE IMMEDIATELY RESPONDED
SAYING THAT THE CONFERENCE SHARED THE MINISTER'S DESIRE FOR
AN EARLY AND SATISFACTORY SOLUTION TO THE PROBLEM. HE ADDED
THAT WHAT THE MINISTER APPEARED TO BE SUGGESTING WAS THE SPEEDING
UP OF THE NEGOTIATIONS WHICH HAVE BEEN UNDERWAY FOR THE PAST
TWO YEARS. ALTHOUGH THE FEFC IS RECEPTIVE TO THE IDEA OF REMOVING
RUBBER FROM ITS GENERAL AGREEMENT AND PLACING IT UNDER A
SEPARATE AGREEMENT, IT IS NOT PREPARED TO GIVE ITS FINAL
CONSENT UNLESS CERTAIN PROVISIONS ARE MADE. THE FEFC
IS SEEKING FCRIM ASSURANCE THAT THE FEFC CARRY 80 PERCENT OF
MALAYSIA'S DRY RUBBER. THE FCRIM, ON THE OTHER HAND, IS
PREPARED TO CEDE ONLY 64 PERCENT TO THE FEFC WITH THE
REMAINDER BEING CARRIED BY NON-CONFERENCE BOTTOMS, PRIMARILY
THOSE OF THE SOVIET UNION. THE FEFC WILL ALSO GUARANTEE
CARRIAGE OF ALL THE LATEX EXPORTS TO EUROPE IF THE 80 PERCENT
FIGURE IS MET.

4. COMMENT: THE UNANSWERED QUESTION BEHIND MUSA HITAM'S
DIRECTIVE IS HOW HARD THE MALAYSIANS ARE WILLING TO PUSH THE FEFC
FOR RATE REDUCTIONS ON RUBBER SHIPMENTS AND HOW MUCH THEY ARE
WILLING TO COMPROMISE. EMBOFF DISCUSSED DEVELOPMENTS WITH
LOCAL KNOWLEDGEABLE SHIPPING OFFICIAL WHO STATED THAT CURRENT
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DISAGREEMENT WAS ESSENTIALLY LIMITED TO RUBBER AND NOT TO
THE SHIPMENT OF GENERAL CARGO. HE SAID THERE WAS NO POSSIBILITY
THAT MISC, WHICH IS SUPPORTING MUSA HITAM'S STAND, WOULD GO
SO FAR AS TO PULL OUT OF THE FEFC. ON THE SHIPMENT OF
RUBBER SPECIFICALLY, EVEN WITH ALL THE NON-CONFERENCE SHIPS
AND MISC VESSELS COMBINED, THE MALAYSIANS COULD NOT HANDLE THE
SHIPMENT OF RUBBER REQUIRED WITHOUT USING FEFC BOTTOMS.
THEREFORE THE FEFC STILL HAS CONSIDERABLE INFLUENCE AND LEVERAGE
IN THE NEGOTIATIONS. IT APPEARS THAT MUSA HITAM, IN FACT,
IS ATTEMPTING TO GET THE NEGOTIATIONS MOVING TOWARDS SOME
CONCLUSION BY THROWING HIS INFLUENCE INTO THE FRAY.
UNDERHILL

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